Report of the Chief Auditor

Audit Committee – 25 October 2016

ANNUAL REPORT OF SCHOOL AUDITS 2015/16

Purpose:	This report provides a summary of the school audits undertaken by the Internal Audit Section during 2015/16 and identifies some common issues found during the audits
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and review the school audits undertaken during 2015/16 and any common themes identified.
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that Committee review and discuss the school audits undertaken during 2015/16
Report Author:	Simon Cockings
Finance Officer:	Paul Beynon
Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. **Introduction**

1.1 An audit of each primary, secondary and special school in Swansea is undertaken every 3 years. A standard audit programme exists for each school sector.

1.2 For a number of years, a report summarising the school audits undertaken each year has been prepared for the Chief Education Officer. The report also identifies the common themes which have been found during the audits.

2. **School Audits Annual Report 2015/16**

2.1 The School Audits Annual Report 2015/16 is attached in Appendix 1.

3.   Equality and Engagement Implications

3.1   There are no equality and engagement implications associated with this report.

4.   Financial Implications

4.1   There are no financial implications associated with this report.

5.   Legal Implications

5.1   There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2015/16

Appendices: Appendix 1 Annual Report of Schools Audits 2015/16

Appendix 1

CITY & COUNTY OF SWANSEA
INTERNAL AUDIT REPORT
EDUCATION: ANNUAL REPORT OF SCHOOL AUDITS 2015/16

1.   **INTRODUCTION**

1.1   Each year a significant amount of audit resource is spent on school audits. The Internal Audit Section reviews all Primary, Special and Secondary Schools within the City and County of Swansea.

1.2   For routine audits, a risk assessment is carried out at individual school level, based on this, a rolling programme of school audits is undertaken. Primary Schools and Secondary Schools are currently audited every 3 years.

1.3   The scope for school audits during the 2015/16 financial year included the following areas:

- Governance
- Health and Safety / Fire / Premises Security Assessments
- Management of Delegated Resources
- Collection of Income and Bankings (including dinner monies)
- Authorisation of Free School Meals
- Petty Cash
- Budget Preparation and Monitoring
- Purchasing of Goods and Services
- Payment of Creditors
- School Inventory
- Verification of PLASC to Budget Share
- Verification of Employees
- School Fund (audit and presentation to Governing Body)
- Computer Security and Data Protection

1.4   There are slight variations between the work undertaken at Primary cheque book, Primary non cheque book and Secondary Schools. However, the scope of the audit remains more or less the same for all three sectors.

1.5   In addition to the Internal Audit review, schools are also subject to audit by Estyn within a six year cycle. A revised inspection framework was introduced from September 2010.

1.6   At the routine audit, a formal level of assurance is provided for the overall financial management and other areas within the School as defined above. The assurance levels vary across four categories, namely High, Substantial, Moderate and Limited assurance.

1.7 Recommendations are contained within a Management Action Plan and are prioritised according to perceived risk. Therefore, the Headteacher has an indication of Internal Audit's view of the level of risk that the school could be exposed to if the recommendation is not implemented.

1.8 Once the Action Plan has been finalised with the Headteacher, a copy of the final Audit Report and Action Plan is forwarded to the Chair of the School's Governing Body and the Chief Education Officer for information. Agreed actions are followed up in accordance with the Management Action Plan implementation timetable to ensure that they have been satisfactorily implemented. On distribution of the report it is requested that the Chair of the Governing Body ensures that the final report is presented at the next full Governing Body meeting. We also ask that the Chair ensures that all actions have been implemented within the timescales stipulated in the Management Action Plan.

1.9 As part of their monitoring procedures, the School Support Unit request minutes of the Governing Body meetings in order to confirm that the audit report has been presented and discussed. Of the 16 Primary Schools and 3 Comprehensive Schools that were audited in 15/16, the School Support Unit had received minutes confirming that the audit report had been presented for 13 Primary Schools 2 Comprehensive Schools. The Unit has requested minutes from those schools that have not forwarded them to date and this continues to be followed up on an ongoing basis.

1.10 As the operation of local bank accounts remains a key area for examination during audits, Primary cheque book School audits last 4.5 days and non-cheque book Schools last 4 days. The budgeted time for Secondary School audits is 10 days.

1.11 The remainder of this Annual Report provides information on the various developments that have occurred during the year and also provides further details of the results of the school audits undertaken during 2015/16.

2.   SUMMARY OF FINDINGS

2.1 Of the 16 Primary Schools audited in year, 12 achieved a substantial level of assurance and 3 achieved a high level of assurance. This is comparable to the level of assurance awarded to those schools audited in 2014/15. However, it should be noted that one school was awarded a moderate level of assurance in 2015/16, whereas no moderate ratings were awarded in 2014/15.

2.2 Of the 3 Comprehensive Schools audited in year, 2 received a high level of assurance and 1 received a substantial level of assurance. Again, this is comparable to the level of assurance awarded in 2014/15.

2.3 No Special Schools were audited in 2015/16 as they were not due to be audited as per the three yearly programme of school audits.

2.4 It is pleasing to note that all but one of the schools audited in year achieved a substantial or high level of assurance. This illustrates the fact that the schools in question were being managed appropriately and were operating effectively. The Authority had been made aware of the issues surrounding the single school that received a moderate level of assurance prior to the audit being undertaken, and it should be noted that at the time of the review, action was already being taken by the School's Management team to address the majority of the issues at the School. A follow up visit is due to be completed at the school in question during Quarter 2 of 2016/17, the results of which will be reported separately.

2.5 As has historically been the case, procurement was the main source of the recommendations made across all schools in 2015/16. As seen in tables 3.6 and 4.2 later, 29% of all recommendations made for both primary schools and secondary schools were in relation to procurement. It may be noted that due to the delegated nature of school budgets, there will inevitably always be issues in this area. However, significant efforts have been made by the Authority in an attempt to improve awareness of school's responsibilities in this area.

2.6 Periodic financial training is provided to all Primary School Headteachers by the School Funding & Information Unit which clearly communicates the procedures that should be followed by schools in relation to ordering and procurement. However, it should be noted that attendance at such training is not compulsory.

2.7 It was noted in the previous Annual Report that the Authority's Contract Procedure Rules were amended from April 2014. The amendments resulted in changes to the required process for obtaining quotations and the retention of evidence, primarily for 'Band A' purchases (below £5k) and also for the 'Single Tender Application' process. It was envisaged that these amendments would simplify the procurement and record keeping process. Despite this, as reported in previous years Schools are still failing to seek the relevant number of quotations even though the threshold has been increased.

2.8 Since April 2015 there has been a considerable change in the Schools Procurement Service Level Agreement (SLA) at the request of the schools through the Joint Finance Group. Schools have opted for a basic SLA which no longer funds a dedicated Schools Procurement Officer. The areas covered by the new SLA are detailed in Appendix 5. At present, 17 Primary Schools have opted out of the Procurement SLA completely compared to 9 schools that had opted out in 2014/15. However, from April 2016, Procurement has introduced a new facility whereby those schools that have opted out of the SLA may take advantage of Procurement's services for an hourly rate.

2.9   It was noted in the previous report that Contract Procedure Rules (CPR's) were in the process of being reviewed and updated. Unfortunately, this process is still ongoing and Procurement has indicated that the updated CPR's are due to be finalised shortly. Once this process has been completed, it is proposed that school specific CPR's and associated guidance notes will be produced detailing how the amended CPR's should be interpreted specifically for Schools.

2.10   The sections that follow provide more detailed information in relation to the findings of our audits across the schools in Swansea for 2015/16.

3   PRIMARY SCHOOLS

3.1   16 Primary School audits were finalised by Internal Audit during 2015/16, all of which operated their own bank account. The assurance rating that was awarded to each of the schools is shown in Appendix 1. Draft reports have been issued to a further 8 schools but at the time of writing this report a response has not been received from the schools.

3.2   The table below shows the total number of primary schools audited in year, together with the frequency each of the different assurance levels that have been awarded.

Level of Assurance	Schools 2014/15	Schools 2015/16
High	3	3
Substantial	11	12
Moderate	0	1
Limited	0	0
Total	**14**	**16**

3.3   The level of assurance awarded confirms the view that primary schools in Swansea are generally well run with sound internal controls and financial management in the majority of cases. It is pleasing to note that all but one of the primary schools audited in year were rated as providing either a High or Substantial level of assurance.

3.4   A total of 112 recommendations were made as a result of the audit process, representing an average of 7 recommendations per school. All of the audit reports have been finalised at the date of this report, with agreement reached with Headteachers to implement all of the recommendations made.

3.5   It should be noted that a direct correlation between the number of recommendations identified at each school and the overall level of assurance cannot always be made. This is due to differences in the rating of the individual recommendations made i.e. High/Medium/Low Risk or Good Practice. Therefore, the number of recommendations made for each school has not been reported. Instead, the overall level of assurance awarded to each school has been reported.

3.6   An analysis of the areas where recommendations have been made is summarised in the table below. As can be seen, the main area where issues were identified was in relation to Procurement, as has been the case in previous years. Please also see Appendix 3 which details the main areas reported on within each category below.

Primary Schools				
Audit Area	Total Recommendations 2014/15 based on 14 Schools	2014/15 %	Total Recommendations 2015/16 based on 16 Schools	2015/16 %
Governance	4	5%	0	0%
Health and Safety / Fire / Premises Security assessments	5	6%	4	4%
Management of the School	0	0%	14	13%
Procurement	32	37%	32	29%
Bank	2	2%	5	4%
Income	5	6%	11	10%
School Meals inc banking	10	11%	3	3%
School Funds	7	8%	7	6%
Inventory	14	16%	14	12%
IT	2	2%	15	13%
Other	6	7%	7	6%
TOTAL	**87**	**100%**	**112**	**100%**

3.7   Procurement was again identified as the main issue in a number of schools. Headteachers are reminded of the requirement to comply with the Scheme for the Financing of Schools, Contract Procedure Rules (CPR's), Financial Regulations and Accounting Instructions. Also, the Procurement Section and their Procurement Guide are available to assist schools with any procurement issues. Headteachers and Admin Staff are also invited to attend regular financial training sessions arranged by the School Funding and Information Unit, but attendance is not compulsory.

3.8   The main areas where problems have arisen regarding procurement are highlighted below:-

- Not obtaining the relevant number of quotations where expected. This was mainly noted where services were procured or accumulated annual spend for a particular 'item' exceeded £5k per year.
- Not raising authorised purchase orders at the point of committal or at all. This is also important as it allows for effective budget monitoring and proper certification procedures. It is also a record of what has been ordered, helps to minimise disputes and to facilitate matching to the invoice both in terms of price and quantity.

- Not obtaining the relevant dispensation, waiver etc where CPR's were not followed. (For procurement of unique items available from single suppliers for example).
- The use of suppliers that do not have a corporate contract with the Authority without undertaking any form of tendering exercise. Note that due to delegation, the use of contracted suppliers by schools is not compulsory. However, should they opt to use such suppliers, schools must undertake their own tendering exercise to ensure best value is obtained.

3.9 The average number of recommendations made per school has increased in year from 6 to 7. Whilst generally, the percentage of recommendations made across the various areas has remained fairly static year on year, some additional detail in relation to some of the more notable changes may be seen below:

- Management of the School - primarily in relation to the lack of documentation detailing the delegated limits of the Headteacher and outdated authorised signatory lists.
- School Meals – for those schools reviewed, fewer issues were noted in relation to variances between catering (CS3) and dinner register (PM2) records. Fewer issues were also encountered in relation the frequency of banking meal income and the level of meal arrears.
- IT – failure change passwords periodically, deactivation of staff that no longer require access to the School's IT Systems, and lack of registration with the Information Commissioners Office.

3.10 Whilst we report on non-compliance in these areas, what the above summary figures do not reflect is the number of instances of non-compliance per school, i.e. we would include a recommendation regardless of the number of instances of non- compliance, with the extent and significance of the issue being highlighted in the body of the report.

4. SECONDARY SCHOOLS

4.1 3 Secondary Schools were visited by Internal Audit during 2015/16. The level of assurance at each of the schools can be seen in Appendix 2.

4.2 The table that follows shows the total number of secondary schools audited in year, together with the frequency each of the different assurance levels that have been awarded.

Level of Assurance	Schools 2014/15	Schools 2015/16
High	2	2

Substantial	3	1
Moderate	0	0
Limited	0	0
Total	**5**	**3**

4.3 A total of 27 recommendations were made, which represents an average of 9 recommendations per school. All of the audit reports have been finalised at the date of this report, with agreement reached with Headteachers to implement all of the recommendations made.

4.4 An analysis of findings to identify areas for improvement is shown on the following page and has again highlighted Procurement as the main issue.

Secondary Schools				
Audit Area	*Total Recommendations 2014/15 (based on 5 Schools)*	*2014/15 %*	*Total Recommendations 2015/16 (based on 3 Schools)*	*2015/16 %*
Governance	3	6%	1	4%
Health and Safety / Fire / Premises Security assessments	3	6%	2	7%
Management of the School	0	0%	4	15%
Procurement	18	35%	8	29%
Bank	4	8%	1	4%
Income	8	16%	1	4%
School Meals inc banking	0	0%	1	4%
School Funds	3	6%	1	4%
Inventory	9	17%	3	11%
IT	1	2%	3	11%
Other	2	4%	2	7%
TOTAL	**51**	**100%**	**27**	**100%**

4.5 The figures show that the number of recommendations made per School remained broadly the same since the previous year.

4.6 As with primary schools, procurement has been identified as the main area for concern. The same comments as noted in 3.7 to 3.8 apply here.

4.7 It is also noted that the average number of recommendations made per school has remain consistent with the 2014/15 figures. However, as may be seen in the table above, the number of recommendations made in some areas has increased. Please see below for further details:

- Management of the School - primarily in relation to the lack of documentation detailing the delegated limits of the Headteacher, inadequate review of bank reconciliations and approval of letting applications.
- Income – for those schools reviewed, fewer issues were noted in relation to the collection of income and the completion of collection and deposit information.
- IT - failure change passwords periodically, deactivation of staff that no longer require access to the School's IT Systems, and lack of registration with the Information Commissioners Office.

5.   SPECIAL SCHOOLS

5.1   No Special Schools were due to be audited in 2015/16.

6   DEVELOPMENTS / OTHER WORK UNDERTAKEN DURING THE YEAR

6.1   During the year, in addition to the school audits covered as part of our cyclical review, other work was also undertaken as noted below

6.2   Ad-hoc work covering a range of areas as and when they arise, at the request of schools or the Education Department.

6.3   In addition, audit follow up procedures require a follow up visit for any audits where the overall level of assurance is less than 'Substantial'.

6.4   No follow up visits were undertaken in year. The one primary school noted as receiving a moderate assurance rating in 2015/16 was revisited in quarter two 2016/17 in order to determine whether appropriate action has been taken to implement the recommendations that were made as part of the review. It was noted that significant progress had been made, but some recommendations had not been addressed. The school is due to be revisited again in quarter three.

6.5   With regards to other ad-hoc work, we have again been working with the Procurement Section in an attempt to address areas of non-compliance within schools in relation to procurement.

6.6   We have also been involved in discussions with the School Funding & Information Unit and Education Finance in relation to the proposal to roll out charge cards to schools. This is currently a work in progress, and guidance notes are being prepared to ensure the cards are used appropriately when they are issued.

7.0   SCHOOL SELF-ASSESSMENT QUESTIONNAIRES

7.1   One of the key targets in year has been to develop and introduce a self-assessment questionnaire for schools. As reported previously, following the successful roll out of self-assessment questionnaires in Social Services Establishment audits, it was decided that a similar approach should be adopted for primary and special schools in an attempt to more effectively utilise reduced resources and to balance the annual audit plan. The questionnaire has now been finalised and the new audit approach has been rolled out to schools from quarter two 2016/17.

7.2   As a result of the decision to introduce a self-assessment questionnaire, it was also felt that this would be an opportune time to review the scope of the school audit programme to ensure resources were being focused on key areas that are relevant in the modern school environment.

7.3   At the time of writing this report, a number of completed questionnaires have been returned by the schools. Overall reaction to the questionnaire has been very good, with positive feedback being received from all those schools that have contacted the Audit Team to discuss the questionnaire. Discussions with the Primary Support Officers have also indicated that the schools have reacted positively to the new audit approach.

7.4   It is hoped that there will be a number of benefits from the new approach, for both the Audit Team and the schools. The responses and additional documents returned by the schools will mean that we are able to identify key issues and risks early on in the audit process. One of the key benefits to the schools is the reduction in the amount of disruption caused by the audit visit, as we envisage we would only be on site for a maximum of one day per school.

8.   QUALITY MEASURES

8.1   At the end of each audit, Headteachers are provided with a Quality Control Questionnaire (QCQ) which allows them to comment on the quality of the audit service provided. A copy of the Questionnaire is attached at Appendix 4.

8.2   Each completed questionnaire is reviewed and comments are taken into account in planning future audits, where appropriate.

8.3   QCQ results are fed into a Performance Indicator which shows the percentage of clients expressing 'at least satisfaction' with the conduct of audit assignments undertaken by Internal Audit. For this exercise, this relates to the QCQ's issued for audits finalised in 2015/16 as at the time of writing this report.

8.4   The Performance Target for schools at least satisfied with the quality of audit service for 2015/16 was 98%.

8.5   The response rate to our QCQ survey was as follows:

	QCQ's issued	No. of Responses	Response %
Primary Schools	16	6	38%
Secondary Schools	3	1	33%
Overall	**19**	**7**	**37%**

8.6 It should be noted that for those QCQ's received, for both Primary and Secondary Schools, 100% were at least satisfied with the overall usefulness of the audit compared to our internal performance target of 98%.

9. CONCLUSIONS

9.1 This annual report provides information on school audits undertaken during 2015/16, and identifies the main areas for improvement in relation to the financial management and other areas for schools.

9.2 A good working relationship exists between schools and the Internal Audit Section, with Headteachers generally responding positively to audit recommendations. However, the raising of orders and compliance with Contract Procedure Rules does remain a concern. In many instances these have been repeatedly (re)reported over the years.

9.3 As noted in previous reports, procurement is still the biggest issue arising from school audits. It is concerning that despite having raised issues in relation to procurement at schools repeatedly for a number of years, with schools accepting audit recommendations in relation to these issues, the primary area of concern continues to be in relation to procurement. However, these issues should also be considered in the context of the overall school budget. The significant majority of any school's delegated budget is spent on staff salaries which, given the ever increasing budgetary pressures being felt by schools, leaves a relatively small pot of money for the school's other procurement activities.

9.4 It is again the opinion of the Internal Audit Section that financial management systems established in Schools continue to provide a generally high level of assurance, subject to the procurement compliance issues as noted above.

PRIMARY SCHOOLS AUDITED 2015/16

School	CB/NCB	Level of Assurance
St Helens Primary School	CB	High
Talycopa Primary School	CB	High
Trallwn Primary School	CB	High
Cila Primary School	CB	Substantial
Gors Primary School	CB	Substantial
Gowerton Primary School	CB	Substantial
Hendrefoilan Primary School	CB	Substantial
Knelston Primary School	CB	Substantial
Newton Primary School	CB	Substantial
Pennard Primary School	CB	Substantial
Sketty Primary School	CB	Substantial
Townhill Community School	CB	Substantial
Waun Wen Primary School	CB	Substantial
YGG Bryniago	CB	Substantial
YGG Login Fach	CB	Substantial
Portmead Primary School	CB	Moderate

CB = Cheque Book ; NCB = Non Cheque Book.

Note that in addtion to the audits finalised above, the following audits had been completed and we were awaititing responses to draft reports that had been issed for the following schools at the end of the financial year:

Cadle Primary School
Crwys Primary School
Cwmglas Primary School
Grange Primary School
Gwyrosydd Primary School
Pen-y-Fro Primary School
Pontarddulais Primary School
Seaview Primary School

SECONDARY SCHOOLS AUDITED 2015/16

School	Level of Assurance
Birchgrove Comprehensive School	High
Dylan Thomas Community School	High
Bishop Gore Comprehensive School	Substantial

AREAS REVIEWED AT PRIMARY / SECONDARY SCHOOLS DURING 2015/16

AUDIT AREA	MAIN CATEGORIES REVIEWED IN EACH AUDIT AREA
Governance	Role and responsibilities of Governors, Committees and staff
	Policies and Committees
	Governors involvement in setting the School Development Plan
	Finance, Administration and CRB
Health & Safety/ Fire/ Premises	Health and safety inspections
	Fire Risk assessments and Portable Appliance Testing
	Self review of security issues
Procurement	Ordering procedures (Non orders)
	Payment procedures
	Authorisation of orders / invoices
	Governing Body approval of payments more than £5k
	Compliance with Contract Procedure Rules
	Insurance arrangements for non Authority 'approved' suppliers.
	Cheque stock records
School Funds	School fund signatories
	Audit and presentation of the School fund
	Distribution of School savings
	Other
Management of the School	Budget setting, approval and monitoring
	Authorised signatories
	Register of Business Interests
	Delegated powers
Inventory	Format and security of the School inventory
	Keeping the inventory up-to-date inc disposal procedures
	Physical checks
	Other
School Meals	Dinner money arrears
	Certification of CS3's by Headteacher
	CS3 meals served to PM2 meals reconciliations
	Weekly banking of Dinner monies (PM2 reconciliations)
	Entitlement to Free School Meals
Bank	Cheque signatories

	Bank reconciliations
Income	Banking and security of income held on site.
	C&D Senior Management review
	Letting applications
	Other income
	Raising and monitoring of invoices
IT	Computer-based records to be password-protected/ backed up/passwords to be changed regularly
	Users no longer employed to be deleted by the system manager
	Data Protection
Other	Self employment status
	Verification of employees and payment of travel expenses
	Leases
PLASC	Verification PLASC return to Budget share

C I T Y   A N D   C O U N T Y   O F   S W A N S E A
D I N A S   A   S I R   A B E R T A W E

QUALITY CONTROL QUESTIONNAIRE

INTERNAL AUDIT SECTION

We are keen to monitor and, where possible, improve the quality of our work. We have adopted a number of performance indicators that we report on monthly, quarterly or annually. One of these is your view of the overall quality etc. of our work.

For this reason please complete the questions below indicating your level of satisfaction with various aspects of our audit. Any additional comments you may have should also be included, particularly if you are less than satisfied* with any aspect of the audit.

AUDIT: _____   DATE OF ISSUE: _____

AUDIT FILE REF. NO: _____   AUDITOR(S): _____

ASPECT OF AUDIT	VERY SATISFIED	SATISFIED	DIS-SATISFIED	VERY DIS SATISFIED
AUDIT PLANNING Appropriateness of scope and objectives of audit				
Usefulness of initial discussions with auditor(s)				
Timing of audit				
CONDUCT OF AUDIT Duration of audit				
General helpfulness of auditors				
Consultation on findings				
AUDIT REPORT Fair presentation of findings				
Importance of findings				
Usefulness of recommendations				
Consultation on findings and recommendations				
OVERALL How would you rate the overall usefulness of the audit?				

OTHER COMMENTS:

SIGNED: _____   DATE: _____

DESIGNATION/POST TITLE: _____

Please return to the Chief Internal Auditor, Room 3.3.13, Civic Centre or by email.

Basic Procurement SLA from April 2015

The SLA no longer funds a specific Schools Procurement Officer, but covers the following:-

- Access to the Council's corporate, regional and national contracts and framework agreements held for an extensive range of goods and services that can be fully utilised by Schools throughout the City and County of Swansea. Contracts including but not limited to:-
  (i)   Electricity, Gas and Oil.
  (ii)   Window cleaning
  (iii)   Stationery
  (iv)   Washroom equipment & sanitary disposal
  (v)   MFDs
  (vi)   Catering and Cleaning materials

- Monitor corporate contracted suppliers with regard to adherence to contract specifications and prices.

- Provide a dedicated telephone helpline between 9am and 4.30pm, Monday to Friday, excluding Bank Holidays offering :-
  (i) Procurement advice and guidance on all procurement matters, including product specifications, supplier sourcing and procedures.
  (ii) Provide advice on the relevant documentation and for Schools to conduct background checks on potential suppliers when procuring individual School contracts (e.g. Health & Safety, Insurances, DBS)

- Updating and reviewing Contracting Procedure Rules for Schools when required by changes to Legislation, policy or procedures.